

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 DODE-00 /078 W

----- 122407

R 122041Z MAR 76

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7688

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EO 11652: N/A

TAGS: ECON, CI

SUBJ: ECONOMIC ASPECTS OF PRESIDENT PINOCHET'S MARCH 11 SPEECH

1. SUMMARY: FOLLOWING ESTABLISHED PRACTICE OF ADDRESSING NATION ON OUTSTANDING PROBLEMS AT 6-MONTH INTERVALS DATING FROM SEPT 11, 1973, COUP, PRESIDENT PINOCHET DEVOTED BULK OF HIS MARCH 11 ADDRESS TO A REAFFIRMATION OF CURRENT CHILEAN ECONOMIC PROGRAM, WITH EMBELLISHMENTS AND IMPROVEMENTS -- PARTICULARLY, HIGHER SALARIES FOR THE LOWEST PAID WORKERS -- WHICH SHOULD BE WELL RECEIVED IN COUNTRY. END SUMMARY.

2. HITHERTO, PINOCHET HAS REPORTED TO NATION SEMI-ANNUALLY IN ELABORATE CEREMONY ATTENDED BY LARGE OFFICIAL DELEGATIONS, DIPLOMATIC CORPS, AND MAJOR PRESS TURNOUT. THIS TIME, AUDIENCE WAS LIMITED TO HIGH GOVERNMENT OFFICIALS AND GENERALS AND ADMIRALS OF ARMED FORCES. SMALL STAGE SELECTED MAY HAVE BEEN REFLECTION OF ABSENCE OF ANY MAJOR NEW THEME IN PRESIDENTIAL ADDRESS.

3. POLITICAL ASPECTS OF ADDRESS ARE COVERED IN SEPTEL.

4. PINOCHET MADE A STRONG DEFENSE OF GOVERNMENT'S AUSTERITY
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POLICY. HE SAID THAT DESPITE PARTISAN CRITICISMS, CHILE

HAD NO ALTERNATIVE IF IT WAS TO OVERCOME ECONOMIC CHAOS LEFT BY ALLENDE AND TO AVOID HARMFUL EFFECTS OF EXCESSIVE ECONOMIC CONTROLS, SUCH AS BLACK MARKETS AND ILLEGAL FOREIGN EXCHANGE TRANSACTIONS, WHICH HAD SO DISTORTED THE ALLOCATION OF THE COUNTRY'S PRODUCTIVE RESOURCES. PINOCHET ASSERTED THAT CHILE'S CURRENT DEPRESSION AND REDUCED LIVING STANDARDS WERE A RESULT OF PAST ECONOMIC MISMANAGEMENT, THE COLLAPSE OF COPPER PRICES AND THE RISE OF PETROLEUM AND OTHER IMPORT COSTS, AND THE HEAVY FOREIGN DEBT BURDEN WHICH CHILE COULD NOT EVADE WITHOUT ENDANGERING ITS SOVEREIGNTY IN THE FACE OF THE "FOREIGN CONSPIRACY" OPPOSING THE GOVERNMENT.

5. MAINTAINING THAT THE JUNTA'S GOAL WAS TO BRING ABOUT SOUND ECONOMIC RECOVERY WHILE INCREASING SOCIAL ASSISTANCE MEASURES, PINOCHET PREDICTED THAT 1976 WOULD BE THE YEAR IN WHICH THE REACTIVATION AND GROWTH OF THE CHILEAN ECONOMY WOULD BEGIN. HE DESCRIBED IN HIGHLY OPTIMISTIC TERMS PROSPECTS FOR INCREASED HOUSING CONSTRUCTION, FOREIGN INVESTMENT, AND AGRICULTURAL GROWTH; PROMISED TO COMBAT TAX EVASION RELENTLESSLY; AND PLEDGED THE GOVERNMENT TO IMPROVE MEASURES DESIGNED TO IMPEDE EXCESSIVE PRICE INCREASES. CHILE'S ECONOMIC PRIORITIES, THE PRESIDENT SAID, WOULD BE TO ENSURE A VIABLE BALANCE OF PAYMENTS SITUATION AND TO REDUCE THE RATE OF INFLATION SUBSTANTIALLY BELOW THAT OF 1975.

6. AS EXPECTED, PINOCHET ANNOUNCED THAT ADDITIONAL WAGE ADJUSTMENTS WOULD BE GRANTED TO LOWEST PAID WORKERS BEGINNING APRIL 1. IN ADDITION TO THE REGULAR QUARTERLY READJUSTMENTS, LOWEST PUBLIC SECTOR EMPLOYEES WOULD RECEIVE PAY INCREASES OF UP TO 18 PERCENT WHILE THE MINIMUM WAGE FOR PRIVATE SECTOR EMPLOYEES WOULD BE INCREASED FROM APPROXIMATELY \$35 TO APPROXIMATELY \$40. AS LONG AS UNEMPLOYMENT CONTINUED AT ITS CURRENT HIGH LEVEL, THE GOVERNMENT'S PUBLIC PROJECTS EMPLOYMENT SYSTEM (SO-CALLED "MINIMUM EMPLOYMENT PLAN") WOULD BE RETAINED, AT AN INCREASED MONTHLY WAGE OF ABOUT \$34.

7. COMMENT: PINOCHET'S TONE WAS THAT OF A LEADER WHO IS RESOLVED TO ADHERE TO A COURSE FIRMLY SET. INDEED, SPEECH REFLECTS JUNTA'S CONTINUING TRUST IN ITS CIVILIAN ECONOMIC ADVISERS AND THEIR POLICIES, AS FINANCE MINISTER CAUAS MADE LIMITED OFFICIAL USE

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CLEAR TO AMBASSADOR MARCH 12. WHILE WE ARE BY NO MEANS CERTAIN THAT PRESIDENT'S CONFIDENCE IN THE FUTURE IS JUSTIFIED ON PURELY ECONOMIC GROUNDS, WE BELIEVE THAT MINIMUM WAGE ADJUSTMENTS ANNOUNCED IN SPEECH WILL HELP TO CONTAIN CRITICISMS OF AUSTERITY POLICY FOR TIME BEING. CHILEANS ARE HOPEFUL THAT IF COPPER PRICES CONTINUE TO MOVE UPWARD, THEIR DEPRESSION WILL BOTTOM OUT AND THEIR LIVING STANDARDS WILL BEGIN TO MOVE UPWARD.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, POLICIES, SPEECHES, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANTIA02014
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760095-1038
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760366/aaaacgbs.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2004 by coburnhl>; APPROVED <26 OCT 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC ASPECTS OF PRESIDENT PINOCHET'S MARCH 11 SPEECH
TAGS: ECON, PFOR, CI, (PINOCHET UGARTE, AGUSTO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006